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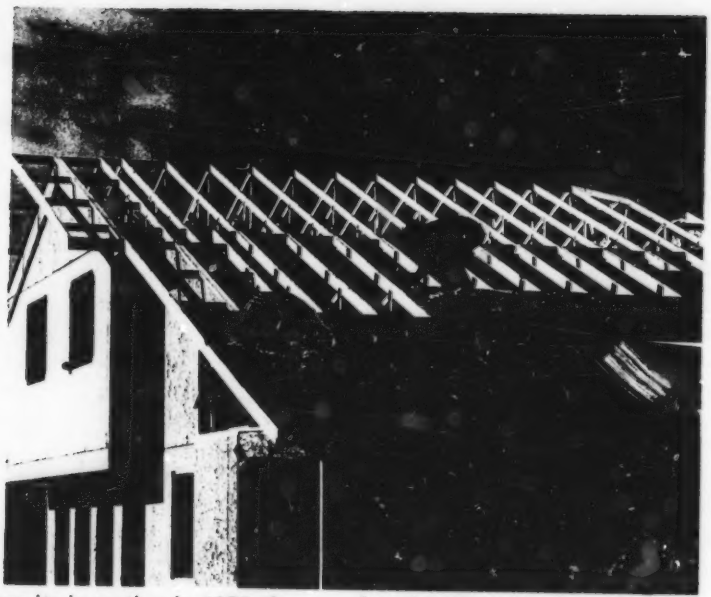

Since its inception in 1973, the Saskatchewan Housing Corporation has consistently led the nation in providing quality housing to low income seniors, families and special needs groups while meeting the wide variety of housing needs of the people of our province.

The Corporation accomplishes this through independent provincial initiatives which address the unique circumstances in Saskatchewan, and through shared funding and delivery of programs in conjunction with the Canada Mortgage and Housing Corporation.

This reflects the Saskatchewan Housing Corporation's commitment to the innovative and responsive delivery of programs which provide efficient, effective solutions to a diversity of provincial housing requirements.

In response to the high priority placed on employment creation by the provincial government, housing programs have become a major force behind job creation incentives.

Through the Corporation's programs, every Saskatchewan homeowner has the opportunity through grant and loan assistance, to upgrade their homes, creating thousands of jobs all across the province. Young families have the opportunity to receive the necessary assistance to own their first home. Senior citizens and disabled persons are assisted in upgrading their homes towards a more independent lifestyle.

In addition, the Saskatchewan Housing Corporation directly delivers subsidized housing units and provides grants to assist in the construction of homes by non-profit groups and the private sector. Other measures such as rehabilitation assistance, ensure these projects continue to provide the best possible accommodation.

T C

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L T

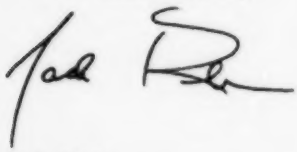
Regina, Saskatchewan
June 29, 1987

To His Honour,
The Honourable
Frederick W. Johnson
Lieutenant Governor of the
Province of Saskatchewan

Sir:

I have the honour to submit herewith the Annual Report of the Saskatchewan Housing Corporation for the period January 1st to December 31st, 1986 including financial statements for the year duly certified by the Provincial Auditor and in a form approved by the Treasury Board, all in accordance with The Saskatchewan Housing Corporation Act.

I have the honour to be, Sir
Your obedient servant,



Jack Klein
Minister Responsible for
Saskatchewan Housing
Corporation

M S

1986 was a landmark year for housing in Saskatchewan. As the Minister responsible for the Saskatchewan Housing Corporation, I am proud of the way in which the Corporation effectively carried out the direction of this government in responding to the housing needs of the people of this province.

Saskatchewan is a leader in innovative housing programs which provide opportunitites for home ownership as well as quality housing for senior citizens and low income families. By working together in partnership with the Federal Government and the private sector our programs have been designed to increase the quality of life for all people.

Saskatchewan is fortunate to be one of the few provinces where the dream of homeownership can become a reality for the majority of residents. The First Time New Home Buyers Program assisted young families in purchasing a newly constructed home. This program was instrumental in increasing construction activity and generating economic growth in related industries. Consistent with providing opportunities, while at the same time creating jobs and economic activity, the Saskatchewan Home Program was introduced in August, 1986. The success of this program has exceeded the most optimistic expectations. In 1986 alone, thousands of jobs were created and millions of dollars of economic activity were generated throughout the Province.

Along with innovative housing programs, this Government remains committed to providing quality housing for the senior citizens of this province. In 1986, the Corporation continued to focus its efforts in the delivery of 467 enriched housing units across the province. Enriched housing has been well received by our senior residents who enjoy maintaining an independent lifestyle. For those seniors who require additional care, the Corporation provided technical and financial assistance in the construction of 193 Special Care beds. The lifestyle that these seniors enjoy could not be accomplished without the support and efforts of community groups and the numerous volunteer organizations.

The Saskatchewan Housing Corporation continues to be responsible for over 18,000 social housing units. The daily operation and management of these units is administered by local housing authorities or non-profit organizations. The professional management of this portfolio could not be achieved without the tireless dedication of hundreds of volunteers who serve on local boards. These people remain committed to making their communities a better place to live.

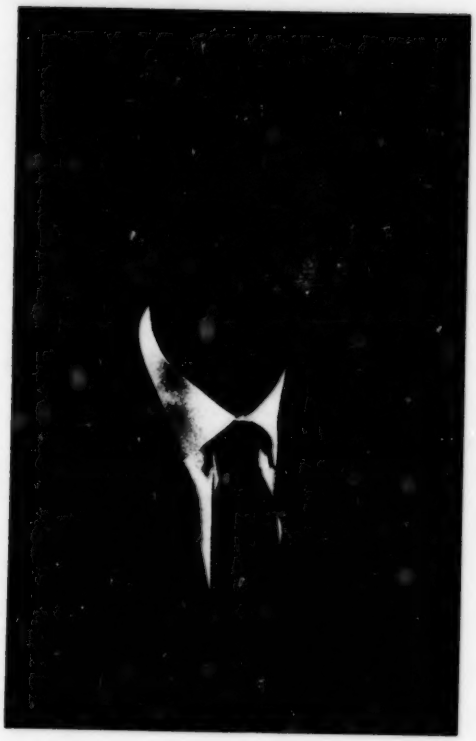
In order to assist the mentally and physically disabled, the Corporation has constructed homes to promote an enhanced independent lifestyle.

I congratulate the Board of Directors of the Corporation, the efforts of hundreds of volunteers and the management and staff of the Saskatchewan Housing Corporation for their dedication and professionalism.

In looking forward to 1987, I am confident that we will continue to develop new and innovative housing programs. The Corporation will respond by working with the housing industry to ensure that quality housing is available for the citizens of this province.

Jack Klein

P M



The year 1986 was one of challenge and accomplishment for the Saskatchewan Housing Corporation. As President, I am proud of the way in which the Corporation met these challenges while striving to continually improve services to the people of this province.

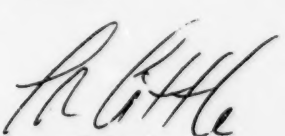
The highlight of 1986 was the introduction of the Saskatchewan Home Program which was developed to provide an opportunity for homeowners to maintain and increase the quality of their homes. Announced in August, this program brought an immediate, overwhelming response from the public and presented an unprecedented demand on the administration of the Corporation. The staff of Saskatchewan Housing Corporation expediently developed a number of new service oriented initiatives, such as special telephone lines, evening shifts and weekend service, to effectively deal with the volume of inquiries and applications from the public. These volumes at times exceeded 1,000 applications and telephone inquiries daily from throughout Saskatchewan. By December 31, 1986, the Saskatchewan Housing Corporation received more than 70,000 applications under the Home Program stimulating over $200 million worth of economic activity in the province. The Corporation placed a major priority on the efficient, effective delivery of this program and will continue to do so as we look to our ultimate goal, the best possible service to the public.

The First Time New Home Buyers Program, announced in the March Budget address, was a demonstrated success. This program not only provided the opportunities of homeownership to over 2,600 Saskatchewan households, but recognized the importance of the housing industry in the creation of jobs and the generation of economic activity throughout the province.

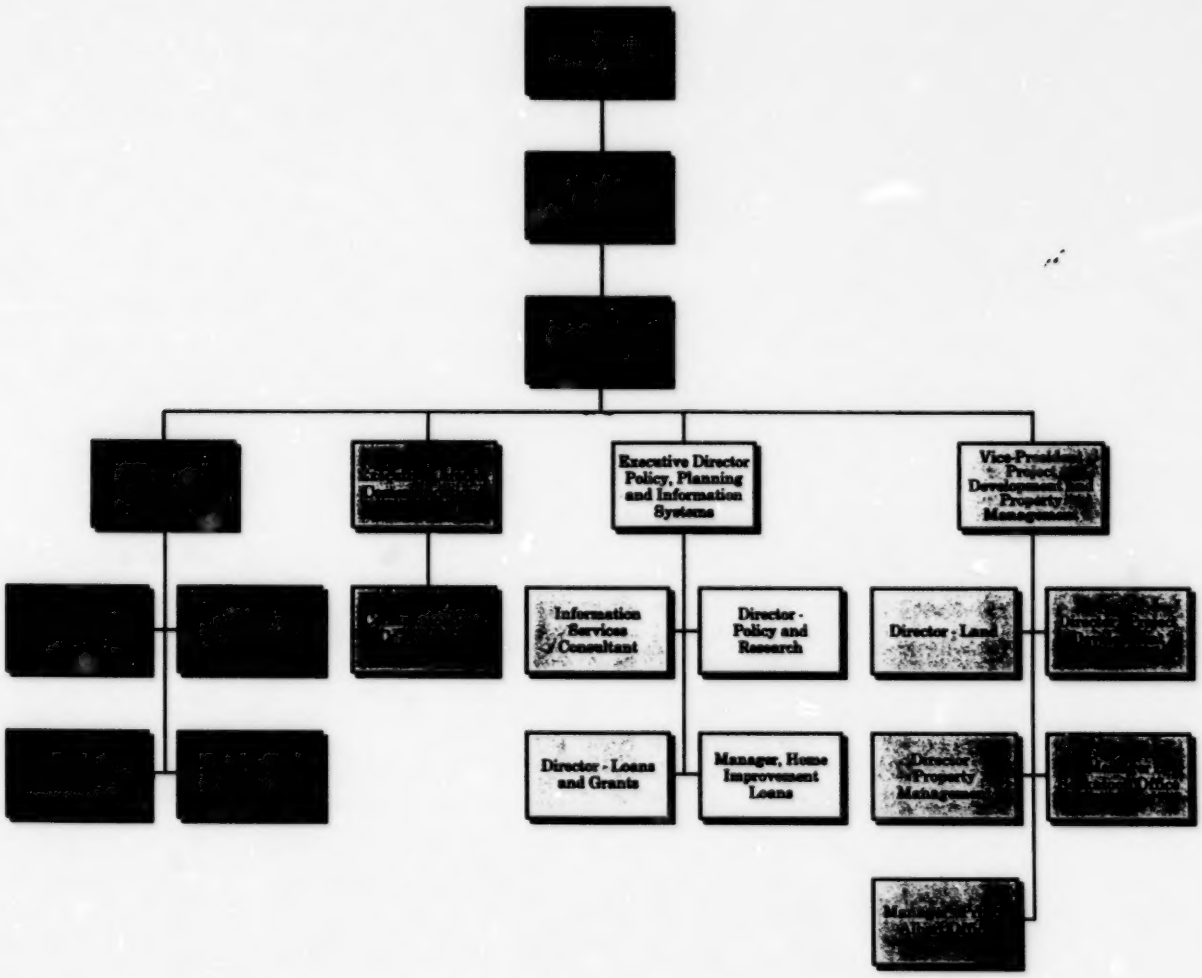
While these programs were a major thrust for the Corporation, we continued to focus on one of the most critically important areas - property management. The Corporation administers a total portfolio consisting of 18,000 housing units across Saskatchewan. A concentrated effort was placed on achieving superior property management. The Corporation has worked together with the housing authorities who manage the day to day operation of our public housing portfolio to develop professional and efficient management practices. This goal would not have been reached without the dedication and efforts of many volunteers who serve on the housing authorities in their local communities. In 1987, the Corporation will continue to deliver and maintain the finest facilities available to the citizens of Saskatchewan in need of social housing.

On behalf of the Corporation, I express my gratitude to the volunteers who have given their time and tireless efforts in the management of our housing portfolio. I would like to express my sincere thanks to the Board of Directors and the staff of the Corporation who met the challenges in 1986 with profound effort and dedication.

1987 will no doubt bring new challenges for the Saskatchewan Housing Corporation. I look forward with confidence as we build on past initiatives and look for new opportunities to respond to the housing needs of Saskatchewan residents.

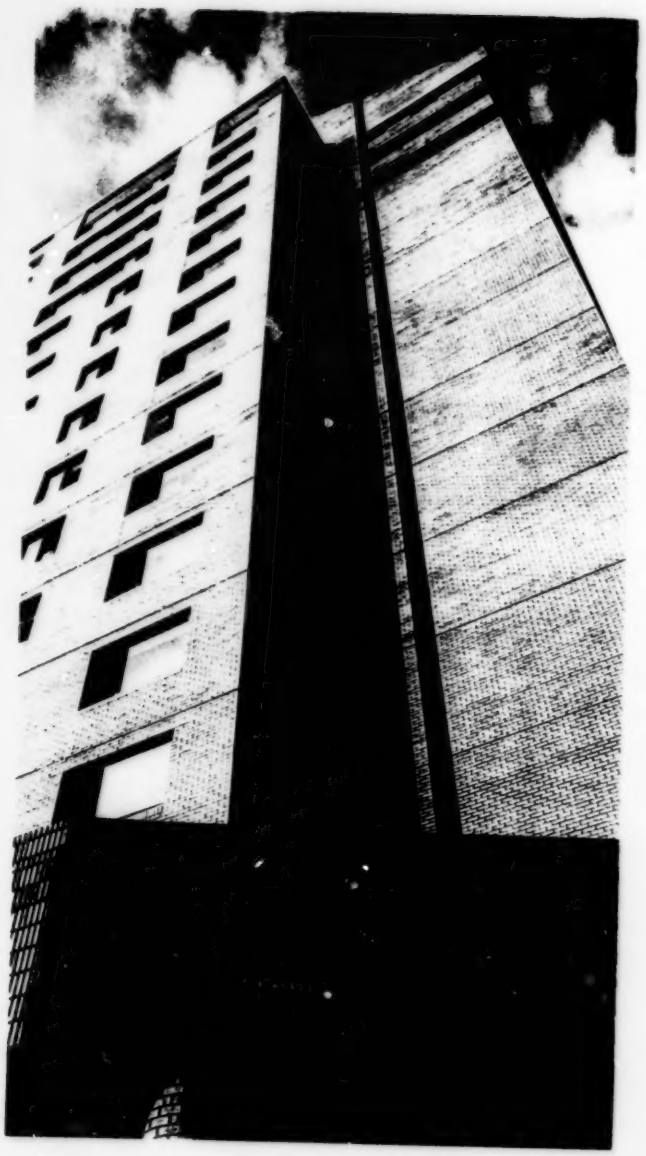


Larry R. Little

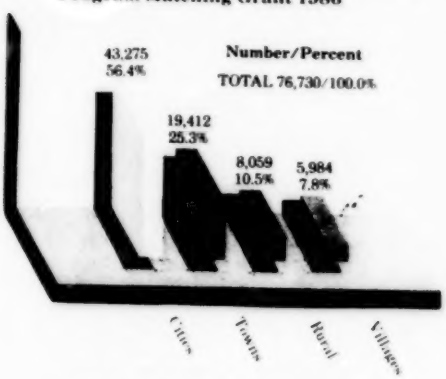

Executive Director Policy, Planning and Information Systems
Information Services Consultant
Director - Policy and Research
Director - Loans and Grants
Manager, Home Improvement Loans
Director - Land

P

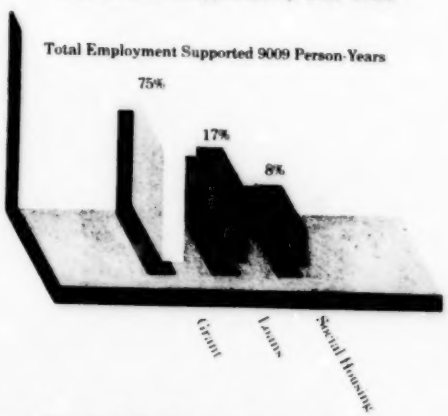
A



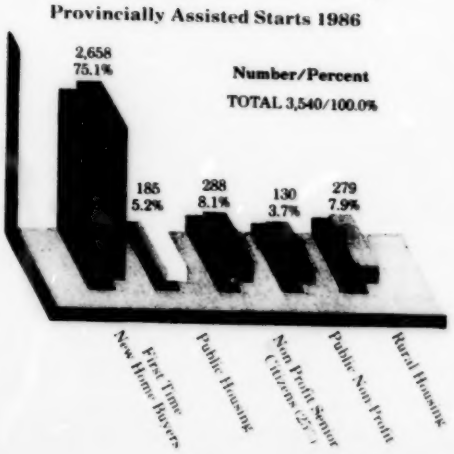
Geographic Distribution of Home Improvement Program Matching Grant 1986



Saskatchewan Housing Programs Employment Supported by SHC 1986



Provincially Assisted Starts 1986



P **A**

The Saskatchewan Housing Corporation either directly or in partnership with the federal government, sponsors a wide range of assistance to aid senior citizens, families and the disabled improve their living circumstances.

This year witnessed a number of programs offering help to Saskatchewan people in repairing or improving their homes. The Saskatchewan Home Program, a major job creation program, offered two forms of assistance to all homeowners to make permanent improvements to their home. Other provincially sponsored programs such as the Senior Citizens Home Repair Program, Residential Rehabilitation Program and Home Modification for the Disabled, all provided financial assistance to needy groups.

These programs were coupled with the delivery by the Corporation of similar programs sponsored by the federal government. These included the Urban and Rural Residential Rehabilitation Assistance Program, Rehabilitation Assistance for the Disabled and Rental Rehabilitation.

In addition to this, efforts were directed toward providing rental housing for low income seniors, families and the disabled. In particular 1986 saw many new units committed and constructed under the Enriched Housing Program to better meet the needs of our seniors. The 25% Grant Program saw innovative ideas brought forth by Non-Profit groups to help seniors live longer, independent lifestyles.

Both technical and financial assistance was provided in conjunction with the Department of Health to deliver new special care homes and group homes.

Program activity in 1986 included assistance to help families purchase their first home. The First Time New Home Buyers' program saw many families started on their way to the benefits of homeownership.

T S H P

The Saskatchewan Home Program was introduced in August of 1986 by Premier Grant Devine. The program was a first in Canada. Acknowledging the importance of the family home, it was developed to assist Saskatchewan people in the maintenance and preservation of their most important assets, their homes.

The design of the Home Program clearly recognizes the partnership that exists between the provincial government and the people. Every Saskatchewan homeowner is eligible to receive, on a matching dollar for dollar basis, a $1,500 grant to undertake permanent improvements to their home. In addition to this, the use of interest subsidy assistance for every homeowner is offered in loans of up to $10,000 at 6% interest to undertake major renovation projects.

This commitment to housing has witnessed a success that is unparalleled by previous programs.

Individual home improvements have become commonplace as our neighbourhoods in cities, towns and villages undergo a positive transformation.

By December 31, 1986, in just four months, the Saskatchewan Housing Corporations received just over 70,000 applications under the matching grant portion alone. These matching grants stimulated almost $200 million worth of economic activity in the home improvement industry at a time of year when such activity is normally declining.

During this same period of time, the Corporation received well in excess of 9,000 applications for Home Improvement Loans.

This success is another example of the government's major job creation thrust. The economic activity generated by the program, created more than 5,900 person-years of direct and indirect employment.

The volume of demand which occurred as a result of the popularity of this program created a challenge for the Corporation. From program announcement, the Corporation has striven to meet this demand by incorporating a number of new service oriented initiatives. Installation of special telephone systems have been the means by which the Corporation has capably dealt with the volumes of applications received; volumes which at times exceeded a thousand applications and telephone inquiries from all across the province per day. Sound administration of the program has and continues to be in place as the Corporation responds to its ultimate goal of providing the best possible service to the public.

Seldom has a program had such an immediate, widespread, positive impact as the Saskatchewan Home Program.

T F T N H B P

Saskatchewan is privileged to be one of the few provinces in Canada where home ownership is well within the grasp of most residents. It is a vision that the Government of Saskatchewan believes in.

The First Time New Home Buyers' Program was introduced in the March, 1986 Budget Speech. It was the latest in a series of initiatives that have been implemented by the Corporation to encourage homeownership.

The program provided a $3,000 grant to first time home buyers to purchase a newly constructed home. This recognized the importance of the housing industry in the generation of economic activity and job creation.

This program, which assisted young families currently in a rental situation to attain their goal of home ownership was a tremendous success. Not only did the program meet its initial target, but the most optimistic expectations as well.

As of December 31, 1986, over 2,600 Saskatchewan families and individuals had participated in the program. For the third consecutive year, the number of newly constructed homes increased over the previous year.

Single detached dwellings were by far the most popular choice, as over four-fifths of the people participating chose this form of housing. This program was especially helpful to lower-income families. Although the program was directed towards young families, it also helped to introduce an important new sector of the purchasing public to the residential construction and service industry; approximately one out of every six applicants was a single person purchasing a home for the first time.

The success of the First Time New Home Buyers' Program can be measured by the number of people that now enjoy living in their own home.

E H

One of the most important aspects of the Saskatchewan Housing Corporation is meeting the housing needs of the senior citizens of this province. As the number of seniors continually increases in the province, the Corporation must respond with special programs designed to enable seniors to enjoy an independent lifestyle for a longer period of time.

Through consultations with senior citizens, the enriched housing concept evolved in response to local needs. The success of these enriched housing projects is in large part due to a diverse group of volunteers and staff members working together. The combined efforts of home care boards, district co-ordinating committees, local Housing Authorities and other volunteer organizations contribute valuable assistance in improving the quality of life for senior citizens.

The enriched housing concept was designed to maximize independent living through self-contained units. A major design feature is the common lounge area where seniors can gather for entertainment and companionship. It also facilitates the delivery of volunteer community programs and services on an organized basis.

Some examples of the many volunteer services include keeping in touch with neighbours in case of sickness or accident, social and fitness activities, as well as visitor and transportation services.

The volunteer services available in an enriched housing project will vary from community to community, since the programs are based on local need, commitment and choice by the residents.

During 1986, the enriched housing program was in demand in both urban and rural communities. The Saskatchewan Housing Corporation committed 467 enriched units servicing 47 communities across the province. This brings the total enriched units to 1,083 since the inception of the program in 1984.

1986 Enriched Housing

1986 Commitment

Centre	Number
Abbey	6 Apt.
Abernethy	4 Apt.
Alida	4 Apt.
Bengough	10 Apt.
Calder	4 Apt.
Carievale	10 Apt.
Carlyle	16 Apt.
Ceylon	4 Apt.
Cupar	6 Apt.
Delisle	10 Apt.
Drake	6 Apt.
Dubuc	4 Apt.
Dysart	6 Apt.
Estevan	40 Apt.
Foam Lake	12 Apt.
Francis	6 Apt.
Frobisher	4 Apt.
Gainsborough	6 Apt.
Indian Head	10 Apt.
Kelliher	6 Apt.
Kerrobert	16 Apt.
Kyle	10 Apt.
Lintlaw	6 Apt.
Macklin	10 Apt.
Martensville	6 Apt.
Mayfair	4 Apt.
Meadow Lake	10 Apt.
Muenster	12 Apt.
Nipawin	16 Apt.
Pelly	4 Apt.
Qu'Appelle	10 Apt.
Radisson	10 Apt.
Raymore	10 Apt.
Rhein	6 Apt.
Sedley	6 Apt.
Shell Lake	10 Apt.
St. Louis	10 Apt.
Star City	10 Apt.
Stoughton	10 Apt.
Swift Current	47 Apt.
Togo	4 Apt.
Torquay	6 Apt.
Vanscoy	10 Apt.
Warman	6 Apt.
Willow Bunch	6 Apt.
Windthorst	6 Apt.
Yorkton	32 Apt.
Total Seniors Units	**467**

G AUTHORIT

P M

The Property Management Division is one of the most critically important areas of the Saskatchewan Housing Corporation. This area is responsible for the financial and overall management of 18,000 housing units across Saskatchewan. These units provide quality shelter for many of our low-income seniors and families.

The challenge for the Corporation is to ensure that it continues to provide the finest facilities available to the residents. With a portfolio that is ever-increasing as well as aging, property management must develop ways in which to preserve and maintain its housing stock. Through forward planning of maintenance, modernization and utilizing the latest technology, the Corporation has achieved this goal.

As with so many of its other roles, the Saskatchewan Housing Corporation attains superior property management by building on the partnership that exists with the people of Saskatchewan. Daily operation of these units is performed by 280 local Housing Authorities or Non-Profit Organizations. The professionalism and dedication shown by these volunteer organizations and boards is evidence of the excellent management at the local level. These authorities are responsible for a large proportion of our entire portfolio, and as such the adherence to sound and consistent management practices becomes of utmost importance. The Saskatchewan Housing Corporation assists these dedicated community representatives with their role by providing conferences, workshops and various other informational and training incentives.

During 1986, the Corporation took the necessary steps to ensure that an open line of communication and a solid working relationship with the boards was enhanced. The major focus on this communication process was the Housing Authority Conference held in Regina, where emphasis was placed on the tremendous contribution made by the local authority volunteers to their communities and the province.

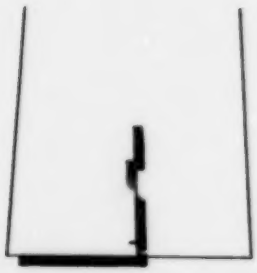
The conference provided an ideal opportunity and stimulus for detailed discussions and information sessions on housing for senior citizens, proposals for support services, as well as professionalism and educational development, all of which reflect the priorities of the Corporation. The Saskatchewan Housing Corporation will continue to provide an appropriate forum to further these priorities.

Housing Authorities are the framework for the management of the public housing portfolio in Saskatchewan. Because of this, the Corporation considers it essential that educational programs be maintained. These programs will include future workshops in eight centres across the province and external courses such as the Accredited Residential Management Program (ARM) sponsored by the Real Estate Institute of Canada. In conjunction with the ARM course, in-house courses will be conducted which deal with matters related solely to public housing.

With administrative responsibility for a portfolio which approaches $1 billion in replacement cost and an annual budget totalling in excess of $130 million, the creation of a suitable financial and maintenance data information base became imperative. To assist in the establishment of maintenance programs and the accumulation of data, the Property Management department developed a state of the art computerized support system during 1986 for the Housing Authority network.

The Saskatchewan Housing Corporation is committed to serving the low-income seniors, families, and disabled of this province through quality housing and attention to progressive, compassionate management of this important portfolio.

N U S



South West Saskatchewan

L G D

Loans & Grants Division

The Loans and Grants Division of the Saskatchewan Housing Corporation continues to be instrumental in the delivery of housing programs.

In 1986, the First Time New Home Buyers' Program was announced. This program was targeted towards young families. It provided the necessary assistance to people who wished to purchase a newly-constructed home. In addition to this, the Corporation continued to deliver a wide range of home improvement programs.

Senior Citizens Home Repair Program

In 1984, the amount of grant to seniors under this program was increased to $1,000. Since the inception of the program in August of 1984, the Corporation has committed 23,002 grants totalling in excess of $23 million. The majority of eligible senior citizen households have now benefitted from the program.

Home Modification for the Disabled

This home modification program continues to be an important area in delivery of housing to special needs groups. This particular grant may also be combined with other home repair programs, where eligible.

The Corporation continues to make a special effort in these circumstances. Any applications that are received for home renovation programs are reviewed by staff members. If the improvements are aimed at accommodating a disabled person, the staff will contact them to ensure that they are aware of the benefits that are available to them.

In 1986, under this program, 128 grants were approved totalling approximately $200,000.

Other Rehabilitation Programs

The Corporation provides a wide range of rehabilitation programs which primarily have the same objective. This objective is to assist low-income homeowners in making the necessary repairs to their homes.

The Saskatchewan Housing Corporation directly sponsors its own Residential Rehabilitation program. In 1986, under this program, 141 loans were approved for a total of $391,648 of which $271,066 was totally forgiveable.

In addition, the Corporation delivered programs sponsored by the federal government. These included the Urban, Rural, and Rental Residential Rehabilitation Assistance programs.

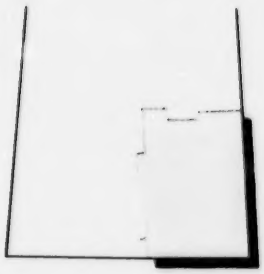
Under the Urban Residential Rehabilitation Assistance Program 131 loans were approved for a total of $512,779 of which $504,535 was totally forgiveable.

In 1986, under the Rural Residential Rehabilitation Assistance Program, 493 loans were approved for a total of $2,320,814 of which $2,223,625 was totally forgiveable.

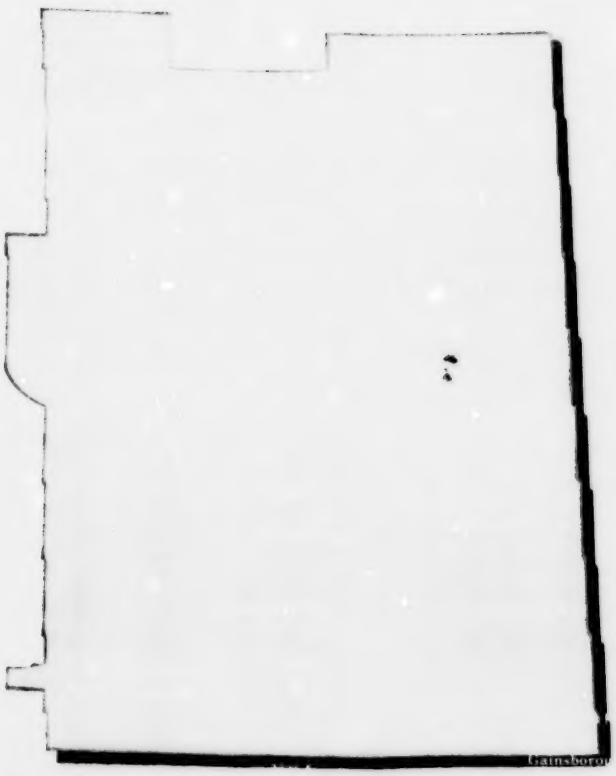
With the delivery of the Rental Rehabilitation Program, 28 loans were approved for a total of $878,763 which was totally forgiveable.

Under the Residential Rehabilitation Assistance for the Disabled Program 29 loans were approved for a total of $122,921, all of which was forgiveable.

N U S



South East Saskatchewan



L O

The major thrust of the Saskatchewan Housing Corporation's Land Department during 1986 was to reduce its substantial land holdings throughout the Province while at the same time ensuring that home buyers and municipalities were assured of a reasonable supply of serviced lots.

During 1986, the Corporation disposed of 218 acres of land holdings which were not required for immediate residential development in three communities.

The Corporation and its municipal partners sold or optioned four hundred fifty-six (456) Land Assembly lots in 40 communities. Land Assembly inventories were sold out in eight communities.

In 1986, the Corporation continued to work with communities to implement marketing strategies and encourage building activity in over 60 communities across the Province. This resulted in the first sales in several years in some projects.

Further to this, the Saskatchewan Housing Corporation worked in partnership with the private sector by assisting in the development of the "Parade of Homes" in the Wood Meadows subdivision of Regina. The tremendous success of the First Time New Home Buyers' Grant created a demand for modestly priced serviced lots. The Corporation responded to this need by resubdividing eleven acres of relatively unmarketable multi-family property into sixty-eight saleable single-family lots in Regina.

In 1986, $9,331,000 of sales proceeds were generated. The Corporation will continue to meet its goal of reducing its land holdings.

N U S

Saskatchewan North

C A

Providing quality, affordable accommodation to low income senior citizens, families and special interest groups will remain the cornerstone of the Saskatchewan Housing Corporation. In 1986, the Corporation continued to deliver the necessary housing to those individuals with the greatest need.

In addition to the commitments made under the Enriched Housing Program (referred to at page 13) the Corporation was involved in the following construction activity.

Public Housing

During 1986, the Corporation completed construction of an additional 185 senior citizens housing units in 6 communities. This brings the total public housing portfolio to 12,200 units across Saskatchewan.

These units provide affordable rental payments which do not exceed 25% of the resident's gross income.

Subsidy assistance is shared by the federal, provincial and municipal governments. The purpose of this program is to provide affordable housing to senior citizens and disabled persons requiring specially designed units to encourage and prolong an independent lifestyle.

Special Care Homes

The Saskatchewan Housing Corporation works in co-operation with the Department of Health to construct special care homes in communities across Saskatchewan.

During 1986, the Corporation played an important role in the delivery of 193 special care beds throughout the province; 113 were additions to facilities and 80 were replacement beds.

Capital funding for these projects was provided by the provincial government, non-profit groups, and private lenders. Provincial and Federal governments provide an interest write-down subsidy.

25% Grant Program

The Saskatchewan Housing Corporation continued to assist private non-profit groups during 1986 by providing 25% of the necessary funding for the construction of 150 self-contained seniors housing units.

Under the program, each group is required to contribute a minimum of 20% of the total equity, and the Saskatchewan Housing Corporation guarantees the mortgage up to 55% of total costs.

The grants were awarded to:

Bethany Pioneer Village (Middle Lake)	$202,750
Elim Lodge Inc. (Saskatoon)	$591,250
Grace Lutheran Church (Regina)	$935,000
Sunset Development (Kindersley)	$62,000

Partnership
For Progress

F S

Management's Responsibility for Financial Statements

These financial statements have been prepared by management, which is responsible for the reliability, integrity and objectivity of the information provided. They have been prepared in accordance with the disclosed basis of accounting as described in the notes. The statements necessarily include amounts that are based on informed judgements and estimates by management, giving appropriate consideration to reasonable limits of materiality. Other financial information in the Annual Report is consistent with that provided in the statements.

The Corporation's accounting system and related system of internal controls are designed to provide reasonable assurance that transactions are properly authorized and recorded, assets are safeguarded, and financial records are properly maintained to provide reliable information for use in the preparation of financial statements.

These financial statements have been approved by the Board of Directors and examined by the Corporation's external auditor.

Larry Little
President

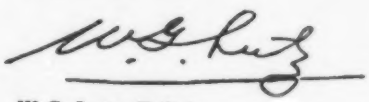
Larry Boys
Chief Financial Officer

Auditor's Report

To the Members of the
Legislative Assembly
Province of Saskatchewan

I have examined the consolidated balance sheet of the Saskatchewan Housing Corporation as at December 31, 1986, and the consolidated statements of accumulated operating surplus, operations and cash flows for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these consolidated financial statements present fairly the financial position of the Corporation as at December 31, 1986, and the results of its operations and the changes in its financial position for the year then ended in accordance with the accounting principles disclosed in Note 1 to the financial statements applied, after giving retroactive effect to the change in accounting policy as explained in Note 2(a) to the financial statements, on a basis consistent with that of the preceding year.



W.G. Lutz, F.C.A.
Provincial Auditor.

Regina, Saskatchewan
April 3, 1987.

C B S

As at December 31
(thousands)

		(Restated)
Assets		
Cash and Short Term Investments, At cost (approximates market value)	$ 51,546	$ 44,688
Accounts Receivable	$ 16,267	$ 15,147
Grants Receivable-Province of Saskatchewan (Note 3)	$ 1,065	$ 2,091
Mortgages and Loans (Notes 9 (c) and 16)	$ 23,565	$ 29,418
Land Inventory, Net of Accumulated Provision for Loss - $8,857; 1985 - $6,227 (Notes 1, 5 & 9(a))		
Developed and Under Development	$ 11,587	$ 18,983
Held for Future Development	18,816	17,946
	$ 30,403	$ 36,929
Investment in Housing Projects (Notes 1, 2 & 4)		
Under Construction	$ 6,708	$ 4,212
Completed	246,051	243,752
	$ 252,759	$ 247,964
	$375,605	**$376,237**
Liabilities and Province's Equity		
Liabilities:		
Accounts Payable and Accruals (Note 16)	$ 28,209	$ 24,569
Accumulated Capital Provisions (Note 1)	5,797	4,612
Land Profits H- lding Account (Note 6)	2,489	3,921
Long Term Debt (Note 7)	320,368	319,932
	$ 356,863	$ 353,034
Province's Equity:		
Accumulated Operating Surplus	$ 1,988	$ 5,540
Contributed Surplus	16,754	17,663
	$ 18,742	$ 23,203
	$375,605	**$376,237**

Consolidated Statement of Accumulated Operating Surplus

For the Year Ended December 31
(thousands)

	1986	1985 (Restated)
Balance, Beginning of Year (Note 2)	$ 5,540	$ 1,380
Net Income	1,946	5,490
	$ 7,486	$ 6,870
Transfer to Consolidated Fund, Province of Saskatchewan (Note 13)	5,498	1,330
Balance, End of Year	**$ 1,988**	**$ 5,540**

See accompanying notes.

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For the Year Ended December 31
(thousands)

		(Restated)		(Restated)
Revenues:				
Sales	$ 9,331	$10,843	$ —	$ —
Rents and Other Income (Note 2(a))	20,021	18,411	1,532	1,398
Interest Income	7,744	8,096	7,578	8,084
Federal Interest Reduction Subsidies (Note 1)	12,735	13,141	—	—
Grants from Province of Saskatchewan (Notes 1&3)	66,086	33,721	50,739	20,278
	$115,917	$ 84,212	$ 59,849	$ 29,760
Expenditures:				
Cost of Sales (Note 9(b))	$ 9,971	$ 9,880	$ —	$ —
Interest Expense (Notes 1 & 8)	32,757	31,693	2,718	3,062
Maintenance (Note 1)	5,681	5,060	484	425
Taxes, Insurance and Other	8,221	7,847	603	586
Amortization	849	459	—	—
Administration - Expenses	13,858	10,606	11,491	8,670
- Recovered or Capitalized	(4,376)	(2,951)	(4,376)	(2,951)
Delivery	114	—	—	—
Grants (Note 3)	44,045	14,957	44,035	14,946
	$111,120	$ 77,551	$ 54,955	$ 24,738
Income (Loss) Before the Following:	$ 4,797	$ 6,661	$ 4,894	$ 5,022
Reduction in Net Realizable Value - Land Inventory (Note 9(a))	(2,719)	(777)	—	—
Losses Charged to Municipalities	13	37	—	—
Loss (Surplus) on Land Sales Recovered From (Transferred to) Land Profits Holding Account (Note 6)	650	(912)	—	—
Other Recoveries (Losses) (Note 9(c))	(795)	481	(732)	66
Net Income (Loss)	**$ 1,946**	**$ 5,490**	**$ 4,162**	**$ 5,088**

See accompanying notes.

							(Restated)
$ —	$ —	$ —	$ —	$ —	$ —	$ 9,331	$10,843
11,315	11,039	1,547	1,034	5,627	4,940	—	—
155	—	11	12	—	—	—	—
12,735	13,141	—	—	—	—	—	—
266	—	3,347	3,236	11,734	10,207	—	—
$24,471	$24,180	$ 4,905	$ 4,282	$17,361	$15,147	$ 9,331	$10,843
$ —	$ —	$ —	$ —	$ —	$ —	$ 9,971	$ 9,880
17,050	16,789	2,829	2,715	10,160	9,127	—	—
2,434	2,372	562	339	2,201	1,924	—	—
3,475	3,438	544	601	3,599	3,222	—	—
108	92	537	226	204	141	—	—
861	813	309	390	1,197	733	—	—
—	—	—	—	—	—	—	—
—	—	114	—	—	—	—	—
—	—	10	11	—	—	—	—
$23,928	$23,504	$ 4,905	$ 4,282	$17,361	$15,147	$ 9,971	$ 9,880
$ 543	$ 676	$ —	$ —	$ —	$ —	$ (640)	$ 963
—	—	—	—	—	—	(2,719)	(777)
—	—	—	—	—	—	13	37
—	—	—	—	—	—	650	(912)
—	—	(49)	229	—	—	(14)	186
$ 543	$ 676	$ (49)	$ 229	$ —	$ —	$(2,710)	$ (503)

C S C F

For the Year Ended December 31
(thousands)

		(Restated)
Cash Provided By (Used In):		
Operating Activities:		
Net Income	$ 1,946	$ 5,490
Charges to Operations Not Requiring Cash:		
Cost of Land Sales (Net of Losses Charged to Municipalities)	9,958	9,843
Reduction of Land Inventory to Net Realizable Value	2,719	777
Surplus (Loss) on Land Sales Transferred to Land Assembly Holding Account	(650)	912
Provision for Capital Replacements - Non-Profit Housing	1,695	1,681
Amortization	849	459
Other Losses	674	19
Transfer of Accumulated Operating Surplus to Consolidated Fund, Province of Saskatchewan	(5,498)	(5,430)
Payouts to Municipalities from Land Assembly Holding Account	(782)	(1,143)
Increase (Decrease) in non-cash working capital	2,782	(433)
	$ 13,693	$ 12,175
Investment Activities:		
Reduction of Mortgages and Loans	$ 5,182	$20,008
Investment in Housing Projects	(5,684)	(9,588)
Investment in Land Inventory	(6,394)	(4,690)
Capital Replacements - Non-Profit Housing	(509)	(207)
Proceeds from Sale of Staff Housing Units	409	663
Transfer of Staff Housing Sale Proceeds to Consolidated Fund, Province of Saskatchewan	(663)	(256)
	$ (7,659)	$ 5,930
Financing Activities:		
Proceeds (Repayments) of Long Term Debt	$ 824	$ (53)
Net Increase in Cash During the Year	$ 6,858	$18,052
Cash and Short Term Investments, Beginning of Year	44,688	26,636
Cash and Short Term Investments, End of Year	**$51,546**	**$44,688**

See accompanying notes.

N T C F S

December 31, 1986

A. Basis of Consolidation

The consolidated financial statements include the accounts of Saskatchewan Housing Corporation and the Corporation's proportionate share of the net assets and revenues and expenditures of the joint venture projects in which it participates, as described in Notes 4 and 5.

B. Segmented Information

The Consolidated Statement of Operations reflects revenues and expenditures of the Corporation according to major program areas.

The Corporate segment includes non-allocated revenues and expenditures consisting primarily of interest (Note 8), Staff Housing rental operations, corporate administration costs, and grants and subsidies paid but not included in other segments (Note 3). Certain allocations of administration costs have been made to the Housing segments where permitted under operating agreements with Canada Mortgage and Housing Corporation.

Interest is allocated to Public and Rural Housing projects based on rates established at project commitment date. These rates approximate market rates at the time, which are generally higher than the rates the Corporation pays on funds borrowed. For Non-Profit Housing projects, interest is allocated based on the Corporation's weighted average cost of funds borrowed during the construction period for each project.

C. Grants from the Province of Saskatchewan

The Corporation receives the following operating and program grants from the Consolidated Fund of the Province of Saskatchewan pursuant to the provisions of Section 36 of **The Saskatchewan Housing Corporation Act:**

Public and Rural Housing

These are related to Public and Rural Housing projects constructed for occupancy by low and moderate income people. The required monthly payments are dependent on occupants' income and do not necessarily cover the operating costs and debt retirement requirement of the projects. Amounts reflected in the Consolidated Statement of Operations represents the Corporation's recovery of its share of project deficits and principal and interest amortization.

Administration and Other

These consist of recoveries of third party grants and an operating grant intended to cover the Corporation's administration costs net of Staff Housing rental operations. Third party grants are accounted for on a cash basis with the exception of Urban-Native.

For the purpose of revenue recognition, grants from the Province of Saskatchewan are shown equal to related program expenditures or deficits as applicable.

D. Investment in Housing Projects

Completed Public and Non-Profit Housing projects are carried at the lower of cost and costs agreed to by Canada Mortgage and Housing Corporation (C.M.H.C.), less accumulated amortization. Rural Housing projects are carried at the lower of original cost and market value, less accumulated amortization. Major structural renovations not undertaken in conjunction with C.M.H.C. are capitalized to the extent that the costs

incurred are determined to be recoverable from the Province. The Corporation capitalizes the following in arriving at the cost of a project:

- Land acquisition costs
- Direct development and construction costs
- Administration costs allocated
- Interest
- Other carrying costs

Public and Rural Housing projects are closed out upon substantial completion of construction and determination of final capital costs. Non-Profit projects are closed out in the month in which construction is completed and renting can begin. Amortization is recorded on completed projects and the cost of major structural renovations on the sinking fund basis over periods ranging from twenty-five to fifty years. By this method, amortization is charged to expense in an amount which increases annually and is considered sufficient to amortize the projects fully over their anticipated useful lives.

The Corporation provides mortgage financing to purchasers of certain Rural Housing units. The intent when selling is to recover actual costs; accordingly, these sales are not recognized in the Consolidated Financial Statements.

Rural Housing assets transferred to the Corporation in 1982 pursuant to Section 4(6) of **The Saskatchewan Housing Corporation Act** are recorded at the lower of the originally approved project commitment amortized to October 31, 1982, less cost to complete, or the net book value at that date. Amortization, calculated on the sinking fund basis over periods of up to twenty-five years, is charged to operations to the extent of the Corporation's cash investment in the assets, and the balance is charged against Contributed Surplus.

Staff Housing assets, transferred from the Province's Department of Supply and Services at no cost, are recorded at the lower of estimated construction costs amortized to March 31, 1984 or the net book value at that date. Amortization, recorded on the straight-line basis over periods of up to forty years, is charged against Contributed Surplus. Pursuant to the direction of Treasury Board, net sales proceeds from disposition of Staff Housing units are returned to the Consolidated Fund of the Province of Saskatchewan.

E. Land Inventory

Land is carried at the lower of cost and net realizable value.

The Corporation capitalizes the following in arriving at the cost of land:

- Land acquisition costs
- Direct development costs
- Administration costs allocated
- Interest
- Other carrying costs.

Interest is capitalized on the net investment after deducting any provision for loss.

Sales of land intended for single family residential development are recorded at the earlier of receipt of total proceeds or completion of the first floor joist stage of construction. Other land sales are recorded at the earlier of receipt of total sale proceeds or the date by which all material conditions required of the vendor as specified in the sales agreement have been satisfied, and effective control of the property has passed to the purchaser.

The cost of lot sales is allocated in proportion to total anticipated revenue by project. Adjustments to prior years' cost of lot sales arising from revisions to anticipated revenues are included with the current year's cost of sales.

Transfers of land for use in housing projects are made at market prices.

F. Interest Capitalized

Interest is capitalized on housing and land projects at rates established at individual project commitment dates, based on approximate market rates at the time.

G. Accumulated Capital Provisions

In accordance with Section 56.1 of **The National Housing Act**, the Corporation provides each year for replacement of appliances and for building renovations at rates agreed to by the Canada Mortgage and Housing Corporation. These amounts are charged to Maintenance and credited to Accumulated Capital Provisions. Amounts are charged against Accumulated Capital Provisions as actual expenditures are incurred.

H. Federal Interest Reduction Subsidies

These represent amounts provided to the Corporation by the Canada Mortgage and Housing Corporation subject to the terms of an agreement entered into by the Corporation with C.M.H.C. under Section 56.1 of **The National Housing Act.**

I. Saskatchewan Mortgage Guarantee Program

Premiums received in respect of mortgage guarantees provided by the Corporation have been deferred and will be taken into revenue over the amortization periods of the related loans.

Costs related to potential claims cannot be reasonably estimated at this time. Losses on individual mortgage guarantees will be expensed in the first year in which they can be reasonably determined.

J. Home Improvement Program

This program includes grants and subsidies to eligible provincial homeowners. In addition the Corporation is providing loan guarantees to lenders. Costs related to potential claims cannot be reasonably estimated at this time. Losses on individual loan guarantees will be recognized in the first year in which they can be reasonably determined.

K. Contributed Surplus

This balance relates to certain Rural Housing and Staff Housing assets previously transferred to the Corporation. Charges to Contributed Surplus include the net book value of units disposed of during the year and amortization as further described in Note 1 (d).

L. Fixed Assets

Purchases of office and specialized equipment are charged to operations in the year of purchase and gross proceeds on any disposal are recorded as revenue.

a) Rural Housing

During the year the Corporation changed its method of accounting for Rural Housing assets and operations. All Rural units in which the Corporation has an equity interest are now recorded as Investment in Housing Projects at the lower of original cost and market value, and are amortized over a period not exceeding twenty-five years. Cash payments on mortgaged units are included with Rents and Other Income in the Consolidated Statement of Operations. Previously, housing units for which mortgage financing had been provided were included in Mortgages and Loans and were recorded based on the selling price to the third party. Cash payments on mortgaged units were credited to Mortgages and Loans and Interest Income was reflected in the Statement of Operations, while subsidies to individual mortgages were reflected as grant expenditures.

The financial statements have been restated to reflect the following increases (decreases) in asset balances at December 31, 1985:

Grants Receivable	$ (304,000)
Mortgages and Loans	$(17,845,000)
Investment in Housing Projects - Completed	$ 17,252,000

The following 1985 operating accounts have also been increased (decreased):

Rent and Other Income	$ 692,000
Interest income	$ (2,370,000)
Grants	$ (2,085,000)
Amortization	$ 168,000
Other expenditures net of revenues	$ 368,000

Accumulated Operating Surplus as at January 1, 1985 has been decreased by $768,000.

As at December 31, 1986 the Corporation has provided mortgage financing to current occupants of 1837 units (1985 - 1942 units). The remaining 1,235 units (1985 - 1164 units) are being leased to tenants on a month to month basis.

b) Recovery of Financing Interest

During the year the Corporation recovered from Canada Mortgage and Housing Corporation financing interest related to construction billings for the period March 31, 1983 to December 31, 1985, which was not previously invoiced or accrued.

The effect was to increase Accounts Receivable as at December 31, 1985 by $937,000, increase Accumulated Operating Surplus as at January 1, 1985 by $662,000 and reduce 1985 Corporate Interest Expense by $275,000. The financial statements have been restated to reflect these changes.

(thousands)

Public Housing	$ 847	$ 12,432	$ 12,000	$ 415
Rural Housing (Note 2(a))	$ 261	$ 3,632	$ 3,347	$ (24)
Administration and Other				
Administration	$ (497)	$ 6,634	$ 6,704	$ (427)
Other				
Senior Citizens Home Repair Assistance	$ 1,954	$ 5,950	$ 4,690	$ 694
Non-Profit Sponsors of Moderately Priced Senior Citizens Accommodation	(6)	2,132	2,418	280
Residential Rehabilitation Loan Forgiveness	71	783	675	(37)
Co-operative Housing	(122)	26	53	(95)
Non-Profit Sponsors of Moderately Priced Accommodation (Urban-Native)	197	861	2,465	1,801
Farm Housing	16	80	60	(4)
Home Modification for the Handicapped	(88)	106	187	(7)
Build-A-Home	(25)	—	(19)	(44)
Other	(517)	—	—	(517)
First Time New Home Buyers	—	5,476	5,898	422
Home Improvement Program	—	29,000	27,608	(1,392)
Total Other	$ 1,480	$ 44,414	$ 44,035	$ 1,101
Total Administration and Other	$ 983	$ 51,048	$ 50,739	$ 674
Grand Total - 1986	$ 2,091	$67,112	$66,086	$1,065
Grand Total - 1985	$(2,678)	$28,952	$33,721	$ 2,091

The Corporation's investment in completed housing projects at December 31, 1986 was:

		(thousands)		
Public Housing	$ 83,636	$1,233	$ 82,403	$ 79,884
Non-Profit Housing	125,695	389	125,306	123,860
Rural Housing	32,006	2,454	29,552	30,512
Staff Housing and Other	9,839	1,049	8,790	9,496
	$251,176	$5,125	$246,051	$243,752

Public Housing projects are constructed and operated pursuant to the terms of joint venture agreements with Canada Mortgage and Housing Corporation and Municipalities. The Corporation's participation in these joint ventures is twenty percent in most instances, and includes $2,041,000 (1985 - $2,483,000) of projects under construction.

Rural Housing projects are constructed and operated pursuant to the terms of joint venture agreements with Canada Mortgage and Housing Corporation. The Corporation's participation in these joint ventures is twenty-five percent and includes $1,192,000 (1985 - $343,000) of projects under construction.

Land Development projects are undertaken pursuant to the terms of joint venture agreements with Municipalities. Development costs have, in most instances, been shared ninety-five percent by the Corporation and five percent by the Municipalities. The Municipalities' equity of $1,381,000 (1985 - $1,487,000) is included in Accounts Payable and Accruals.

Profits earned on Land Development projects are distributed according to agreements with the Municipalities, which specify the percentage of profits to be transferred to a holding account for social or recreational development in the Municipalities, or for other purposes as deemed appropriate by the Corporation. Individual project balances are subject to release pending determination of final costs, receipt of the last lot sale proceeds, and approval by the Corporation.

	(thousands)	
Balance, January 1	$3,921	$4,164
Add: Surplus (Loss) on Land Sales	(650)	912
Internal Transfers	—	(12)
	$3,271	$5,064
Deduct: Allocations and Payouts to Municipalities	782	1,143
Balance, December 31	$2,489	$3,921

(thousands)

Advances - Consolidated Fund, Province of Saskatchewan

8.21%	1995	$5,197	9.98%	1999	$ 6,648
8.65%	1995	6,541	10.22%	1999	6,258
8.96%	1995	7,998	10.68%	1999	4,000
9.04%	1996	7,899	11.50%	1999	4,667
9.00%	1996	5,000	11.24%	2000	1,233
8.97%	1996	6,032	12.74%	2000	9,329
9.25%	1996	5,141	11.61%	2000	6,661
9.22%	1996	3,202	12.55%	2000	6,752
9.02%	1997	2,393	12.50%	2000	926
8.83%	1997	4,082	13.09%	2000	6,986
9.22%	1997	4,000	13.13%	2001	7,204
9.06%	1997	6,399	13.66%	2001	5,871
9.18%	1997	4,694	15.69%	2001	14,421
9.00%	1997	5,972	17.00%	2001	7,611
8.99%	1997	2,765	17.51%	2001	6,968
8.77%	1997	4,671	16.10%	2002	6,776
8.88%	1997	4,894	15.12%	2002	8,732
8.98%	1997	3,537	15.25%	2002	17,225
8.98%	1998	1,542	14.96%	2002	17,511
9.37%	1998	6,526	15.54%	2002	8,972
9.46%	1998	7,168	14.16%	2002	3,203
9.49%	1998	5,794	13.43%	2002	9,444
10.26%	1999	4,000	12.01%	2002	4,823
10.02%	1999	2,427	12.14%	2003	4,556
10.02%	1999	7,578	12.16%	2003	5,684
			12.96%	2004	9,391
					$317,304

Canada Mortgage and Housing Corporation - Land Assembly	
Loans 9.625% - 10.75% due 1987 - 2011	2,573
Bank Loan, 12%, due 1987 - 1991	916
Less: Long term debt due within one year	(425)
	$320,368

Debt repayment on the Canada Mortgage and Housing Corporation liability, which is secured by land inventory, will be related to future lot sales.

(thousands)

		(Restated)
Interest Incurred	$38,091	$38,241
Less: Interest Capitalized	(4,408)	(5,177)
Interest Recovered (Note 2(b))	(926)	(1,371)
	$32,757	$31,693

Charges (credits) to income in the current year include the following:

(a) A reduction in the carrying value of the land inventory at December 31, 1986 in the amount of $2,719,000 (1985 - $777,000) to reflect diminished net realizable value.

(b) An adjustment related to previous years' cost of land sales in the amount of $(41,000) (1985 - $630,000) which resulted from revisions to anticipated project revenues.

(c) A provision for doubtful loans of $720,000 related to the Farm Housing Loan portfolio.

Subsequent to year end, the Corporation entered into an agreement to acquire land, previously leased from a Saskatchewan Crown corporation, for the amount of $1,771,000. Details of the purchase are subject to ratification by the Board of Directors. The total amount will be charged to current operations in 1987 on the basis that the Corporation does not expect to be able to recover the cost from future project revenues.

The Corporation had the following approximate commitments as of December 31, 1986:

(a) Construction expenditures of $22,304,000.
(b) Land development expenditures of $1,450,000.
(c) Home Improvement grants of $50,000,000.
(d) Non-Profit Senior Citizens Accommodation grants of $3,625,000.
(e) First Time New Home Buyers grants of $2,322,000.
(f) Senior Citizens Home Repair Assistance grants of $1,900,000.
(g) Lease payments over the next five years in the following annual minimum amounts:

1987 - $720,000
1988 - $688,000
1989 - $669,000
1990 - $628,000
1991 - $105,000

(a) Home Improvement Program - Home Improvement Loans

Commencing in September, 1986 the Corporation has provided loan guarantees to lenders pursuant to the Home Improvement Loan Program. Loans to borrowers are guaranteed to a maximum of $10,000 and are to be amortized over periods not exceeding ten years. As at December 31, 1986, a total of 9,790 loan guarantees were in effect, and the outstanding balance of loans guaranteed approximated $68,850,000.

As at December 31, 1986 no loan guarantee claims have been submitted to the Corporation by lenders. Costs related to claims that may be received in subsequent years will be recognized in the year in which such costs can be reasonably determined.

(b) Saskatchewan Mortgage Guarantee Program

During 1986 the Corporation provided mortgage guarantees to lenders financing certain new housing construction. As at December 31, 1986, 236 such mortgage guarantees were in effect and the outstanding balance of mortgages guaranteed was $12,495,000.

As at December 31, 1986 no mortgage guarantee claims have been submitted to the Corporation by lenders. Costs related to claims that may be received in subsequent years will be recognized in the year in which such costs can be reasonably determined.

(c) Other Matters

The Corporation is involved in various litigation and claims associated with normal operations. Management believes that any resulting settlements would not have a significant adverse affect on the Consolidated Financial Statements of the Corporation.

During 1986 the Corporation's Board of Directors authorized the transfer of $5,498,000 of Accumulated Operating Surplus to the Consolidated Fund, Province of Saskatchewan.

The Corporation has provided assistance in the form of a $3,000 grant to Saskatchewan residents constructing new homes. This grant was paid at the time of occupancy and is forgiven at the rate of $600 per year, provided ownership is retained. At December 31, 1986 approximately $5,912,000 remains to be forgiven (1985 - $9,577,000).

Certain 1985 financial information has been reclassified to conform with the 1986 presentation.

Transactions with Saskatchewan's Crown controlled departments, agencies and corporations are conducted at market prices, except that expenditures for the acquisition of certain furniture and furnishings are paid by a government department.

At December 31, Accounts Payable and Accruals included an amount of $689,000 (1985 - $944,000) payable to various government departments. In addition, Mortgages and Loans includes an amount of $938,000, repayable in monthly installments of $15,000 and maturing in 1995, due from a government department.

During the year ended December 31, 1986 nine persons (1985 - seven) served on the Corporation's Board of Directors and nine persons (1985 - ten) served as senior officers.

The aggregate remuneration to Directors amounted to $42,000 (1985 - $17,000) and the aggregate remuneration to senior officers was $531,000 (1985 - $479,000).

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Hon. Neil Hardy
Vice-Chairman
Hudson Bay

Nancy Kent
Alternate Chairman
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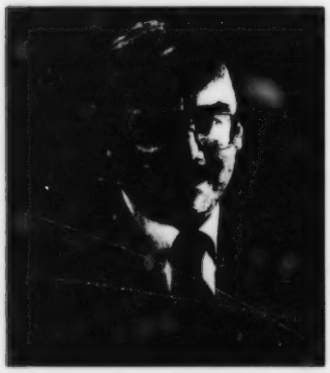
Ross Afseth
Saskatoon

Stu Harris
Saskatoon



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Jack H. Hansen
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